



0000059461

ORIGINAL

RECEIVED

2002 JAN 10 P 12:21

AZ CORP COMMISSION  
DOCUMENT CONTROL

1 ARIZONA WATER COMPANY  
2 Robert W. Geake (No. 009695)  
3 Vice President and General Counsel  
4 3805 Black Canyon Highway  
5 Phoenix, Arizona 85015-5351  
6 Telephone: (602) 240-6860

7 FENNEMORE CRAIG  
8 A Professional Corporation  
9 Norman D. James (No. 006901)  
10 Jay L. Shapiro (No. 014650)  
11 3003 North Central Avenue  
12 Suite 2600  
13 Phoenix, Arizona 85012-2913  
14 Telephone: (602) 916-5000

15 Attorneys for Arizona Water Company

Arizona Corporation Commission

DOCKETED

JAN 10 2002

DOCKETED BY

**BEFORE THE ARIZONA CORPORATION COMMISSION**

12 IN THE MATTER OF THE APPLICATION  
13 OF ARIZONA WATER COMPANY, AN  
14 ARIZONA CORPORATION, FOR  
15 ADJUSTMENTS TO ITS RATES AND  
16 CHARGES FOR UTILITY SERVICE  
FURNISHED BY ITS NORTHERN GROUP  
AND FOR CERTAIN RELATED  
APPROVALS.

Docket No. W-01445A-00-0962

**NOTICE OF FILING PROPOSED  
ARSENIC COST RECOVERY  
PROCEDURE**

17 Arizona Water Company hereby files its proposed procedure for the recovery of the  
18 additional capital costs and operating expenses resulting from the construction of arsenic  
19 treatment facilities needed to comply with the new maximum contaminant level ("MCL") for  
20 arsenic. The Company's proposed cost recovery procedure was provided to representatives of the  
21 Arizona Corporation Commission's Utilities Division and the Residential Utility Consumer  
22 Office for review and discussion on November 16, 2001. In accordance with the Administrative  
23 Law Judge's procedural order, dated October 12, 2001, the parties will continue to meet and  
24 confer concerning this issue.

1 DATED this 9<sup>th</sup> day of January, 2002.

2 FENNEMORE CRAIG

3  
4 By

Norm D. James

Norman D. James  
Jay L. Shapiro  
3003 North Central Avenue  
Suite 2600  
Phoenix, AZ 85012  
Attorneys for Applicant  
Arizona Water Company

5  
6  
7  
8 An original and 10 copies of the  
9 foregoing and attached documents  
10 were delivered this 10<sup>th</sup> day of  
11 January, 2002 to:

12 Docketing Supervisor  
13 Docket Control  
14 Arizona Corporation Commission  
15 1200 West Washington  
16 Phoenix, AZ 85007

17 A copy of the foregoing  
18 and attached documents  
19 were delivered/mailed\*  
20 this 10<sup>th</sup> day of  
21 January, 2002 to:

22 Dwight Nodes  
23 Administrative Law Judge  
24 Hearing Division  
25 Arizona Corporation Commission  
26 1200 West Washington  
Phoenix, AZ 85007

Christopher C. Kempley, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

Daniel W. Pozefsky, Attorney\*  
Residential Utility Consumer Office  
2828 N. Central Ave., Suite 1200  
Phoenix, AZ 85004

By:

Mary House  
1258458.1/12001186

**ARIZONA CORPORATION COMMISSION**

**Utilities Division**

**STANDARD PROCEDURE**

**FOR PROCESSING ARSENIC TREATMENT FACILITY**

**ADVICE LETTER FILINGS**

**STANDARD PROCEDURES FOR PROCESSING ARSENIC TREATMENT FACILITY  
ADVICE LETTER FILINGS**

**Table of Contents**

<b><u>A - INTRODUCTION</u></b> .....	<b>2</b>
<b><u>B - PROPOSALS</u></b> .....	<b>3</b>
<b><u>C - ADVICE LETTERS</u></b> .....	<b>4</b>
<b><u>D - ORDERS</u></b> .....	<b>8</b>
<b><u>E - ADVICE LETTER APPROVAL</u></b> .....	<b>9</b>
<b><u>F - WITHDRAWAL, REJECTION, AND SUSPENSION OF ATFALs</u></b> .....	<b>9</b>

**A - INTRODUCTION**

1. The purpose of these procedures is to provide utilities with directions for filing an arsenic Treatment Facility Advice Letters (ATFAL) and Utilities Division personnel with a detailed description of the steps required to process ATFALs and create and process recommended ATFAL Orders. An ATFAL is a filing by a utility requesting Commission authority to increase or decrease existing tariffs. These standard procedures include information explaining how to:

- a. Prepare and file a proposed ATFAL
- b. Review the submissions for compliance
- c. File the final ATFAL
- d. Evaluate the ATFAL
- e. Accept, suspend or reject the ATFAL
- f. Prepare a proposed Order
- g. File and maintain tariffs

2. These standard procedures apply to all regulated water utilities that are required to install arsenic treatment facilities to meet applicable drinking water standards for arsenic, and to Utilities Division Staff who are assigned to process ATFALs or write recommended ATFAL orders

3. The purpose of these procedures is to ensure a uniform and complete method of processing ATFALs in an expedited manner to enable regulated water utilities to install and operate the arsenic treatment facilities required to meet the new arsenic standard in a timely fashion. The procedures includes proposed and final ATFALs and an Arsenic Treatment Facility Balancing Account (ATFBA). All regulated water utilities and the Commission Staff shall use these procedures unless the utility elects to process a general rate case filing.

**ATFAL** – A form letter accompanied by standardized work papers and a Notice to Customers submitted by a utility to the Commission Staff. The purpose of the ATFAL is to document the need for an incremental rate change (increase or decrease) based on the actual in-service cost of constructing and operating new arsenic treatment facilities or the actual under (over) collection in the ATFBA after the utility determines that certain triggering conditions or criteria have been met.

**ATFBA** – A special, non-general ledger account authorized by the Commission and maintained by the utility. The purpose of the ATFBA is to accumulate specific expenses and revenues that are charged or credited to various water utility accounts in the general ledger. The ATFBA tracks the amount of specific costs that have been incurred to operate arsenic treatment facilities which were not included in the utility's last general rate case and the amount of specific revenue changes resulting from the operation of an authorized ATFAL. The average debit or credit balance of the account for each month accrues interest at the 90-day commercial paper rate.

## **B - PROPOSALS**

4. A proposal is a request from the utility for Commission staff to review a proposed ATFAL before the utility submits it for filing. In form, a proposal is identical to a final ATFAL except:

- a. no ATFAL number is assigned,
- b. only two copies are required,
- c. the term "Proposed" is checked on the Standard ATFAL
- d. no customer notice is given, and
- e. the proposed ATFAL is not served on the service list.

All ATFALs shall initially be submitted as proposals.

5. Proposed ATFALs are processed identically to final ATFALs (see C below). Disposition is by a faxed version of the multipurpose Acknowledgement Form to the utility from the Chief, Accounting and Rates or designee. Depending on the staff evaluation, the form may request additional information or suggest changes for the final ATFAL. If the proposed filing is not satisfactory the Company may submit a new proposed filing when the stated reasons for disapproval have been addressed. Once the proposed ATFAL is satisfactory the utility will be instructed to notice its affected customers and submit a final ATFAL to the Director of Utilities. The fax doesn't obligate the Commission or Staff as to whether the resulting final ATFAL will be approved or rejected.

### **C - ADVICE LETTERS**

6. An ATFAL may be filed when a new arsenic treatment facility is completed and placed in service or if ATFBA has an under (over) collection that equals or exceeds 2% of the most recent 12 months of Operating Revenue for the affected system.

#### **a. New Arsenic Treatment Facility Placed In Service**

After a new arsenic treatment facility has been placed in service the utility may file a proposed ATFAL with the Director of Utilities. The proposed ATFAL will set forth the completed construction cost of the new facility, the estimated annual incremental operating costs as well as other supporting data and schedules set forth in the Standard Workpaper requirements listed at 7b. Staff will acknowledge receipt of the utility's proposed ATFAL by faxing a copy of the multipurpose Acknowledgement Form and review the filing for sufficiency, accuracy and conformity with these procedures. Staff may request additional information from the utility or suggest revisions or corrections to the schedules as necessary. Staff will approve or reject the filing within 30 days.

**b. ATFBA**

Each utility that places an arsenic treatment facility in service designed to meet the new arsenic standard after December 31, 2001 shall establish an ATFBA. In addition to recording all of its capital costs and operating revenues and expenses in accordance with the uniform System Of Accounts, the utility shall also record the incremental arsenic treatment facility operating costs, return requirement and a month end interest charge or credit in the ATFBA. Each utility that has received an incremental rate increase as a result of an ATFAL shall record the ATFAL revenue in both the appropriate general ledger accounts and the ATFBA and monitor the monthly balance of the account. After the ATFBA has been in effect for 6 months, if there is an under (over) collection that equals or exceeds 2% of the utility's most recent 12 months of Operating Revenue for the affected system, the utility shall file a proposed ATFAL, which shall include a copy of the monthly entries and month end balances of the ATFBA for the period since it was established, along with the applicable Standard work papers.

7. The utility submits two copies of the proposed ATFAL and two copies of the required Standard work papers to the Director of the Utilities Division in Phoenix. The water utility shall:

- a. Provide two folders with the filing with a label in white that looks like the following:

Company Name	ATFAL #
Type of filing	

- b. The two folders should be fully assembled with the proposed ATFALs and Standard Workpapers as follows:

On the left outside front attach the ATFAL. On the inside left side of the folder, attach a complete copy of the generic decision or specific order, if any, that authorizes the filing, with the applicable ordering paragraph highlighted and flagged. On the right side of the folder attach a copy of the notice proposed or used, followed by

the Standard Workpapers in the following order with each work paper sheet consecutively numbered:

- (1) Index Of Exhibits listing all the sheets by title and sheet number,
- (2) Summary Calculation Of Requested Incremental Revenue Increase or Decrease,
- (3) Summary Calculation Of Adjusted Rate Base,
- (4) Detail Of Arsenic Treatment Facilities By Plant Account,
- (5) Summary Calculation Of Incremental Cost Of Service,
- (6) Calculation Of Fixed And Variable Arsenic Treatment Facility Charges,
- (7) Revised Tariff Sheets with Arsenic Treatment Facility Charges.

c. Utilities may also submit electronically by sending the submittal to [utilities\\_division@cc.az.state.us](mailto:utilities_division@cc.az.state.us) or by facsimile to (602) 542-?????. If requested utilities shall follow up the electronic filing with the hard-copy filings described above.

8. The receiving Staff person stamps the date and time of receipt of each ATFAL submittal and reviews the filing package for sufficiency:

- a. Conformance with these procedures, including format and completeness of contents.
- b. Proper tariff sheet numbering.
- c. Adequate notice. The final ATFAL will not be accepted for filing until the notice has been published or the last bill insert notice has been mailed.
- d. One copy of the final ATFAL will be stamped with the date filed and faxed to the utility. A stamped copy will be mailed to the utility.

9. If the ATFAL materials are not sufficient for filing, the receiving Staff person informs the Chief, Accounting & Rates and requests changes/additions from the utility. After being accepted as sufficient for filing, the receiving Staff person does the following:

- a. Enters a record of the filing in the ATFAL docket filing system.
- b. Enters any required data in an ATFAL database (if such system is established).
- c. Posts a notice in the daily calendar that the ATFAL has been filed.
- d. Faxes and mails a copy of the ATFAL to the utility stamped with the date filed.

10. The receiving Staff person prepares the ATFAL for review by doing the following:

- a. Fills out the lower Sufficiency Comments Section of the ATFAL, noting the review comments as directed on the form.
- b. Routes the folder with Sufficiency Comments to the Chief, Accounting & Rates, who assigns the filing to an analyst and informs Docketing of the analyst assignment.
- c. Files the second folder in the "pending" file of active ATFALs alphabetically by company.

11. Every ATFAL must be reviewed by a Staff analyst. Such review includes comparison of the request with the Commission decision or order authorizing the ATFAL; the correctness of filed rates, sufficiency and correctness of work papers and attachments; conformance with Commission policy and procedures; and consideration of public responses. A Staff Report and Recommended Order will be prepared for each ATFAL reviewed.

- a. If the ATFAL does not have to be placed on the Open Meeting Agenda because the Commission has already made clear what the standards of review should be, the analyst forwards the Staff Report and Recommended Order to the Director Of Utilities through the Chief, Accounting and Rates for action.
- b. If the ATFAL requires Commissioner review, the analyst forwards the Staff Report and Recommended Order to the Director Of Utilities through the Chief, Accounting and Rates for placement on the Open Meeting Agenda.

12. If additional time is required to properly review an ATFAL because the ATFAL is incomplete, does not include sufficient information to determine the impact of the ATFAL on rates, or the complexity of the ATFAL (and supporting information) requires more time for analysis, the analyst may, with the approval of the Chief, Accounting and Rates fax a multipurpose Acknowledgement Form to the utility, prior to the 30 day deadline, explaining the need for delay and extending the time for processing from 30 days to up to 120 days, and to Docketing, which will notice the delay on the Commission's Daily Filing Calendar. The analyst must include: 1) the new due date and 2) the grounds for the extension.

13. If an arsenic ATFAL requires a decision by the Commissioners at an Open Meeting, it should occur within 150 days of filing, but if disposition due to unusual circumstances will take longer, the analyst must submit a Staff Report explaining the request to the Director of Utilities, who will either deny the request or place it on the agenda for the next Open Meeting.

#### **D - ORDERS**

14. Orders are required for all approved ATFALs. The Commissioners may establish standards of review and delegate the approval of certain types of ATFALs under specified conditions to the Director of Utilities.

15. The Staff analyst drafts the Order following the Commission's general procedures. The contents of the Order depends on the situation and what the ATFAL is requesting, but there are certain elements that all Orders must contain:

1. Title - a description of what the Order does. It starts with the Order number, the full name of the utility, and the abbreviation of the name, in parentheses, that will be used in the Order.
2. Summary - a one or two paragraph description of what the Order recommends. Finish with a description of the number or service connections and the location of the service area affected.
3. Background - the events that occurred in the past that led to the filing of the ATFAL and a description of what the ATFAL is requesting.

4. Discussion - a logical and complete evaluation of the merits of each part of the ATFAL and whether and why each part should be approved, modified or rejected. If a request is to be approved, describe what the utility needs to do.
  5. Notice - a description of how the ATFAL was noticed and whether any public comments were received and how they were handled.
  6. Findings and Conclusions - facts that pertain to the situation and results of the discussion for each issue.
  7. Ordering Paragraphs - actions that the utility is allowed to or is ordered to take, along with timeframes and deadlines. The final ordering paragraph is the effective date of the Order. Normally an Order will be effective the first of the month following approval.
16. The final Order should be mailed to the service list of the ATFAL and, if the Order modifies actions taken by another Order or decision, the service list of that proceeding or Order.

#### **E - ADVICE LETTER APPROVAL**

17. After the ATFAL is approved, the Tariff Unit does the following:
- a. Stamps all tariff sheets with the date filed and date effective, places the tariff sheets in the tariff book.
  - b. Puts the original copy of the ATFAL in the company's ATFAL file.
  - c. Prepares a transmittal letter and sends it to the utility, along with the Order and a complete copy of the ATFAL with all tariff sheets stamped with the filed date, effective date and Order number.
  - d. Retrieves the work file folder from the analyst (if necessary) and puts it in the work file filing cabinet alphabetically by company. Work files are kept until the next general rate case.

## **F - WITHDRAWAL, REJECTION, AND SUSPENSION OF ATFALs**

18. The utility may withdraw a filed ATFAL, by informing the Director of Utilities by letter, fax or e-mail prior to the effective date.
19. If the Staff analyst determines that an ATFAL should be rejected, a copy of the multipurpose Acknowledgement Form is prepared, the appropriate box is checked and the reason for rejection is explained. The Chief, Accounting & Rates will review the rejection explanation and if he agrees he is to initial the form and have it faxed to the utility with the explanation that the rejection can be appealed within ten days to the Director of the Utilities Division. If appealed, the effective date will be determined by the Director of the Utilities Division. If not appealed, the effective date will be the day after the last date for appeal.
20. The legal effect of withdrawal, rejection or suspension is to leave the existing tariff schedules in effect. If the ATFAL is withdrawn or rejected, the Tariff Unit stamps the face of the ATFAL and each tariff sheet "Withdrawn" or "Rejected" and the date, and returns a copy of the ATFAL to the utility with a letter explaining the reasons for the action.
21. The Tariff Unit retains the original copy of the withdrawn or rejected tariff sheets in the file of cancelled tariffs. The ATFAL number and tariff sheet numbers are not reused. Any revised tariff sheets, submitted by a subsequent ATFAL should show the cancellation of the then-effective tariff sheets, not the sheet number of the rejected or withdrawn sheet, since the latter never became effective and therefore cannot be cancelled.

**Arsenic Treatment Facility Advice Letter  
Index Of Exhibits**

	<u>Page</u>
1 <b>Summary Calculation Of Requested Revenue Increase or Decrease</b>	1
2 <b>Summary Calculation Of Adjusted Rate Base</b>	2
3 <b>Detail Of Arsenic Treatment Facilities By Plant Account</b>	3
4 <b>Summary Calculation Of Incremental Cost Of Service</b>	4
5 <b>Calculation Of Fixed And Variable Arsenic Treatment Facility Charges</b>	5
6 <b>Revised Tariff With ATFAL Charges</b>	7
7 <b>Arsenic Treatment Facility Balancing Account Illustration</b>	8
8 <b>Acknowledgement Form</b>	9
9 <b>Arsenic Advice Letter</b>	10

---

*Exhibits 1 - 6 Are Proposed Standard Arsenic Treatment Facility Advice Letter Filing Requirements*

**Arsenic Treatment Facility Advice Letter - ATFAL #1**  
**Summary Calculation Of Requested Increase Or Decrease**  
 Filed October 5, 2001

Company/System    Arizona Water Company-Rimrock System  
 Last Rate Decision    61520  
 Dated    12/20/00  
 Test Year    1999

	Adopted Per Decision # 61520	Adjustment	Adjusted	Required Increase	Proposed	Percent Increase
Operating Revenues	\$ 468,094	\$ -	\$ 468,094	\$ 201,841	\$ 669,935	43.1%
O&M Treatment		\$ 49,750				
O&M Disposal		\$ 52,934				
Operating Expenses		\$ 102,684				
Depreciation Expense		\$ 9,969				
Other Taxes		\$ 17,293				
		\$ 129,946				
Income Taxes @ 39.40338		\$ (51,203)		\$ 79,532	\$ 505,858	45.5%
Total Expenses	\$ 347,583	\$ 78,743	\$ 426,326	\$ 79,532	\$ 505,858	45.5%
Net Operating Income	\$ 120,511	\$ (78,743)	\$ 41,768	\$ 122,309	\$ 164,077	36.2%
Rate Base	\$ 1,037,101	\$ 374,920	\$ 1,412,021		\$ 1,412,021	36.2%
Rate of Return	11.62%		2.96%		11.62%	0.0%
<b>Income Tax Calculation</b>						
Revenue	\$ 468,094	\$ -	\$ 468,094	\$ 201,841	\$ 669,935	
Operating Expenses		\$ 129,946		\$ -		
Taxable Income		\$ (129,946)		\$ 201,841		
Income Taxes @ 39.40338%		\$ (51,203)		\$ 79,532		

# **Arsenic Treatment Facility Advice Letter - ATFAL #1** **Summary Calculation Of Adjusted Rate Base**

Filed October 5, 2001

Company/System      Arizona Water Company-Rimrock System

Last Rate Decision N      61520

Dated      12/20/00

Test Year      1999

	Adopted Per Decision # 61520 a	Arsenic Treatment Facilities Well #2 b	Adjusted Rate Base c = (a+b)
1. Gross Utility Plant In Service	1,856,889	384,889 P3,L31,c	2,241,778
2. Construction Work In Progress	1,075		1,075
3. less: Accumulated Depreciation	(582,754)	(9,969) P3,L31,e	(592,723)
4. Net Utility Plant	1,275,210	374,920	1,650,130
less: 5. Customer Advances For Constructio	(39,877)		(39,877)
6. Contributions In Aid Of Construction	(165,878)		(165,878)
7. Gross	28,090		28,090
8. Accumulated Amortization	(177,665)		(177,665)
9. Net Contributions & Advances	(132,990)		(132,990)
10. Deferred Income Taxes			
add: 11. Allowance For Working Capital	25,521		25,521
12. Phoenix Office Allocation	46,136		46,136
13. Meter Shop Allocation	889		889
14. Total Rate Base	1,037,101	374,920	1,412,021

**Arsenic Treatment Facility Advice Letter - ATFAL #1**  
**Detail Of Arsenic Treatment Facilities By Plant Account**  
 Filed October 5, 2001

Arizona Water Company  
 Rimrock System Well #2 Treatment Facility  
 Project ID 21035  
 Start Date 01/18/2001  
 In Service Date 09/16/2001

Line No.	Acct. No.	Description b	In Service Cost c	Depreciation Expense	
				Rate d	Expense e
1.	301	Organization			
2.	302	Franchises			
3.	303	Other Intangibles			
4.	310.1	Water Rights			
5.	310.3	Other Source of Supply Land			
6.	314	Wells			
7.	320	Pumping Plant Land			
8.	321	Pumping Plant Structures and Improvements	53,486.00	2.59%	1,385.29
9.	325	Electric Pumping Equipment			
10.	328	Gas Engine Equipment			
11.	330	Water Treatment Plant Land			
12.	331	Water Treatment Structures and Improvements	40,761.00	2.59%	1,055.71
13.	332	Water Treatment Equipment	126,735.00	2.59%	3,282.44
14.	340	Transmission and Distribution Land			
15.	342	Storage Tanks	98,452.00	2.59%	2,549.91
16.	343	Transmission and Distribution Mains	35,449.00	2.59%	918.13
17.	344	Fire Sprinkler Taps			
18.	345	Services			
19.	346	Meters	12,000.00	2.59%	310.80
20.	348	Hydrants			
21.	389	General Plant Land			
22.	390	General Plant Structures			
23.	390.1	Leasehold Improvements			
24.	391	Office Furniture and Equipment			
25.	393	Warehouse Equipment			
26.	394	Tools, Shop and Garage Equipment			
27.	395	Laboratory Equipment			
28.	396	Power Operated Equipment	18,006.00	2.59%	466.36
29.	397	Communication Equipment			
30.	398	Miscellaneous Equipment			
31.		<b>Total Plant in Service</b>	<b>384,889.00</b>		<b>9,968.63</b>
32.		Accumulated Depreciation and Amortization	(9,968.63)		(9,968.63)
33.		Net Plant in Service	374,920.37		

# **Arsenic Treatment Facility Advice Letter - ATFAL #1** **Summary Calculation Of Incremental Cost Of Service**

Filed October 5, 2001

Arizona Water Company  
Rimrock System Well #2 Arsenic Treatment Facility  
Estimated Incremental Operating Costs & Return

Line	GPM Of Well #2	Description	Amount
1	Raw Arsenic Level		199
2			54ppb
<b>Estimated Annual Variable Costs</b>			
3	Treatment @ \$	250	49,750
4	Disposal @ \$	266	52,934
5	Total Estimated O&M		102,684
<b>Estimated Annual Fixed Costs</b>			
6	Depreciation per Facilities Schedule (P3,L31,e)		9,969
<b>Property Taxes</b>			
7	Increase In Full Cash Value		
8	Incremental Revenue Required (P1,L12,b)	201,841	
9	Average 3 Year DOR Revenue (1.5 x L8)	302,761	
10	Two Times Average	605,522	
11	Adopted Property Tax Rate Last Decision	2.8559%	
12	Incremental Property taxes		17,293
13	Incremental Operating Expenses w/o Income Taxes (L5+L6+L12)		129,946
14	Incremental Fixed Costs (L6 +L12+L18 )		99,157
15	Incremental Variable Costs (L5)		102,684
<b>Incremental Return Requirement &amp; Income Taxes</b>			
16	Required Return (P1,L7, b)		43,566
17	Income Taxes On Return (39.40338 from decision # 65 )		28,329
18	Total Incremental Return Requirement & Income Taxes		71,895
19	Total Incremental Operating Expenses (L5+L6+L12+L17)		158,275
20	Total Incremental Cost Of Service (L13+L18)		201,841

**Arsenic Treatment Facility Advice Letter - ATFAL #1**  
**Calculation Of Fixed And Variable Arsenic Treatment Facility Charges**  
 Filed October 5, 2001

Arizona Water Company  
 Rimrock System Well #2 Arsenic Treatment Facility

Customer Growth			
1	Customers	09/30/00	1,054
2	Customers	09/30/01	1,083
3	Growth		2.75%

**Incremental Fixed Costs To Be Recovered Per Bill**

	Customers By Meter Size			Est. Average Customers $d=(a+b/2)$	Meter Multiples $e$	Equivalent Meters $f=(d \times e)$	Fixed Increment	
	Size	09/30/01	Est.09/30/2002				Monthly $g=(L18 \times e)$	Annual Total $h=(d \times g \times 12)$
	a	b	c					
4	5/8"	1,074	1,104	1,089	1.0	1,089	\$ 7.34	\$ 95,898.64
5	1"	5	5	5	2.5	13	\$ 18.35	\$ 1,116.14
6	2"	3	3	3	8.0	24	\$ 58.72	\$ 2,142.99
7	3"	-	-	-	15.0	-	\$ 110.10	\$ -
8	4"	-	-	-	25.0	-	\$ 183.50	\$ -
9	6"	-	-	-	50.0	-	\$ 367.00	\$ -
10	8"	-	-	-	80.0	-	\$ 587.20	\$ -
11	10"	-	-	-	125.0	-	\$ 917.50	\$ -
12	Total	1,082	1,112	1,097		1,126	\$ 917.50	\$ 99,157.77

**Fixed Costs To Be Recovered Per Bill**

13	Depreciation (P3,L31,e)	\$ 9,969
14	Property Taxes (P4,L12)	\$ 17,293
15	Return & Related Income Taxes (P1,L10,b)	\$ 71,895
16	Total Fixed Costs To Be Recovered	\$ 99,157

**Monthly Increment Per Equivalent Meter**

17	Equivalent Meters	12	x	1,126	=	13,509
----	-------------------	----	---	-------	---	--------

18	Increment Per Equivalent 5/8" Meter (L16/L17)	\$ 7.34
----	---	---------

**Arsenic Treatment Facility Advice Letter - ATFAL #1**  
**Calculation Of Fixed And Variable Arsenic Treatment Facility Charges**

Filed October 5, 2001

Arizona Water Company  
Rimrock System Well #2 Treatment Facility

**Incremental Variable Costs To Be Recovered Per Mgl**

19	Incremental Revenue Requirement (P1, L25)	\$	201,840.53
20	less: Estimated Recovery of Fixed Costs (L12 above)	\$	(99,157.77)
21	Amount To Recover Through Commodity	\$	<b>102,682.76</b>
22	Estimated Mgl Sales		84,526.05
23	<b>Increment Per Mgl (L21/L22)</b>	<b>\$</b>	<b>1.215</b>

**Estimated Variable Cost Recovery Per Mgl**

	Average Mgl Consumption TY 1999	Est. Average Customers	Estimated Mgl Consumption Y.E. 9/30/02	Annual Variable Increment
	a	b	c=(a x b x 12)	d=(L23 x c)
24	5/8"	6.203	81,043.50	\$ 98,467.85
25	1"	41.15	2,502.95	\$ 3,041.08
26	2"	26.842	979.60	\$ 1,190.21
27	3"	-	-	\$ -
28	4"	-	-	\$ -
29	6"	-	-	\$ -
30	8"	-	-	\$ -
31	10"	-	-	\$ -
32	<b>Total</b>	<b>1,098</b>	<b>84,526.05</b>	<b>\$ 102,699.14</b>

**Total Estimated Recovery**

33	Fixed	\$	99,157.77
34	Variable	\$	102,699.14
35	<b>Total</b>	<b>\$</b>	<b>201,856.91</b>

**Arsenic Treatment Facility Advice Letter – ATFAL #1**  
**Revised Rimrock Tariff With Arsenic Treatment Charges**  
Filed October 5, 2001

**WATER RATES**

<b>ARIZONA WATER COMPANY</b> Phoenix, Arizona Filed by: James R. Livingston Title: President Date of Original Filing: 1-24-02 System: RIMROCK	<b>A.C.C. No. 430</b> Cancelling A.C.C. No. 408/River Valley Tariff or Schedule No. WG-233 Filed: Effective: For all service rendered on or after January 1, 2002
--	---

**GENERAL SERVICE**

**AVAILABILITY:**

In Rimrock and environs at all points where facilities of adequate capacity and pressure are adjacent to the premises served.

**APPLICATION:**

To all water service required when such service is supplied at one premise through one point of delivery and measured through one meter. Not applicable to temporary, standby, supplementary or resale service.

						<u>Arsenic Treatment Fixed Charge</u>
<b>MONTHLY BILL:</b>	<b>Minimum: \$</b>	13.21	for	5/8" x 3/4"	meter	Plus \$ 7.24
		22.79	"	1"	"	\$ 18.10
		60.08	"	2"	"	\$ 57.92
		155.37	"	3"	"	\$ 108.60
		207.16	"	4"	"	\$ 181.00
		362.53	"	6"	"	\$ 362.00
		362.53	"	8"	"	\$ 579.20
		673.27	"	10"	"	\$ 905.00

**Commodity Rate:** \$0.2382 per hundred gallons  
**Purchased Power Adjustment:** \$(0.002) per hundred gallons for all gallons used per ACC Decision No. 62755 dated July 25, 2000.  
**Arsenic Treatment Variable Charge:** \$ 0.1215 per hundred gallons

**Adjustment:** Plus the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of the gross revenues of the Company and/or the price or revenue from the water or service sold and/or the volume of water pumped or purchased for sale and/or sold hereunder. In the event of any increase or decrease in taxes or other governmental impositions, rates shall be adjusted to reflect such increase or decrease.

**ARSENIC TREATMENT CHARGE**

An arsenic treatment charge shall be added to each customers' monthly bill. The purpose of the charge is to recover the costs of constructing and operating new arsenic treatment facilities required to meet EPA's new arsenic standard. The charge has a fixed cost component that is based on meter size (as shown above) and a variable cost component that is based on the customer's water usage (as shown above). The total of the two components is identified on the monthly bill as an ARSENIC TREATMENT CHARGE.

**SPECIAL PROVISIONS:**

1. Subject to the Company's Tariff Schedules SC-252, AM-253 and AFC-
2. If service is to be re-established at the same service location for a customer who has there ordered a service disconnection within the preceding 12-month period, or for any member of such customer's household, a non-refundable charge of eight (8) times the customer's monthly minimum charge and the appropriate tax adjustment will be required as a precondition to the establishment of such service. Payment for such charge shall be made at the time of application for re-establishment of service.

**TERMS AND CONDITIONS:**

U:\Ratecost\Tariff\GenSvc\_RR.rtf  
RWG:JRC:8/1/00

Subject to the Company's Tariff Schedule TC-243.

Effective: 1/1/93  
Revised: 10/3/94; 8/1/00

**Arsenic Treatment Facility Advice Letter ATFAL #1**  
**Arsenic Balancing Account Illustration**

Assume the following entries in the general ledger related to the Well #2 arsenic treatment facility.

Well # 2 Inservice 10/18/01

Arsenic Treatment Facility Advice Letter No. 1 approved by Commission effective 12/1/01

Arsenic Treatment Facility Balancing Account Detail													Arsenic Balancing Account		
Month	Water Treatment		Pumping		Other O&M		Depreciation Expense	Property Tax Accrual	Return & Taxes	ATFAL Revenue	Debits	Credits	Balance	Rate	Interest Amount
	Operation	Maintenance	Operation	Maintenance	Operation	Maintenance									
10/01/2001	2,909.38	1,454.69	2,053.68	-	2,053.68	-	830.70	1,441.08	5,991.33	-	16,734.55	-	16,734.55	2.01%	28.03
11/01/2001	2,994.95	941.27	2,139.25	-	2,139.25	-	830.70	1,441.08	5,991.33	-	16,477.84	-	33,212.38	1.86%	51.48
12/01/2001	2,481.53	1,026.84	1,711.40	171.14	2,224.82	171.14	830.70	1,441.08	5,991.33	-	15,878.85	(18,251.09)	30,840.14	1.86%	47.80
01/01/2002	2,567.10	1,112.41	1,796.97	-	2,310.39	-	830.70	1,441.08	5,991.33	-	16,049.99	(18,419.16)	28,470.97	1.86%	44.13
02/01/2002	2,652.67	1,197.98	1,882.54	-	2,395.96	-	830.70	1,441.08	5,991.33	-	16,392.27	(19,768.40)	25,094.84	1.86%	38.90
03/01/2002	2,738.24	1,283.55	1,968.11	85.57	2,481.53	85.57	830.70	1,441.08	5,991.33	-	16,820.12	(20,816.91)	21,098.05	1.86%	32.70
04/01/2002	2,823.81	1,369.12	2,053.68	256.71	2,567.10	256.71	830.70	1,441.08	5,991.33	-	17,333.54	(21,003.15)	17,428.44	1.86%	27.01
05/01/2002	2,909.38	1,454.69	2,139.25	-	2,652.67	-	830.70	1,441.08	5,991.33	-	19,901.34	(20,356.71)	16,973.07	1.86%	26.31
06/01/2002	2,994.95	941.27	1,711.40	-	2,738.24	-	830.70	1,441.08	5,991.33	-	17,108.23	(20,280.81)	13,800.48	1.86%	21.39
07/01/2002	2,823.81	1,026.84	1,796.97	171.14	2,823.81	171.14	830.70	1,441.08	5,991.33	-	16,905.69	(17,587.94)	13,118.23	1.86%	20.33
08/01/2002	3,166.09	1,540.26	2,139.25	427.85	2,053.68	427.85	830.70	1,441.08	5,991.33	-	17,590.25	(13,735.13)	16,973.35	1.86%	26.31
09/01/2002	2,652.67	1,197.98	1,968.11	-	2,139.25	-	830.70	1,441.08	5,991.33	-	16,221.13	(10,991.65)	22,202.83	1.86%	34.41
10/01/2002	2,738.24	1,283.55	2,053.68	85.57	2,224.82	85.57	830.70	1,441.08	5,991.33	-	16,907.32	(18,152.89)	20,957.26	1.86%	32.48
11/01/2002	2,823.81	1,369.12	2,139.25	256.71	2,310.39	256.71	830.70	1,441.08	5,991.33	-	17,162.40	(20,562.72)	17,556.94	1.86%	27.21
12/01/2002	2,909.38	1,454.69	1,711.40	-	2,395.96	-	830.70	1,441.08	5,991.33	-	16,734.55	(17,832.41)	16,459.07	1.86%	25.51
01/01/2003	2,994.95	941.27	1,796.97	-	2,481.53	-	830.70	1,441.08	5,991.33	-	16,477.84	(13,926.04)	19,010.87	1.86%	29.47
02/01/2003	2,481.53	1,026.84	1,882.54	171.14	2,567.10	171.14	830.70	1,441.08	5,991.33	-	16,392.27	(11,144.44)	24,258.70	1.86%	37.60

## Arizona Corporation Commission

### Acknowledgement Form

To: Utility Representative

Fax # 520-999-1111

From: ACC Staff Representative

Fax # 602-242-9999

Date: 00/00/00

Subject: ATFAL # \_\_\_\_\_ Submitted: \_\_/\_\_/\_\_

The purpose of the fax is:

- ☐ To acknowledge receipt of your ☐ Proposed ☐ Final Arsenic Treatment Facility Advice Letter by the Director of Utilities on: 00/00/00
- ☐ To request the attached information in support of your Proposed/Final Arsenic Treatment Facility Advice Letter.
- ☐ To notify you that the Chief, Accounting & Rates (initial \_\_\_\_\_) has authorized suspension of your filing for \_\_\_\_\_ days because:
  
- ☐ To report satisfactory completion of the review of your Proposed/Final Arsenic Treatment Facility Advice Letter on: 00/00/00
- ☐ Please notify your customers and submit the Final Arsenic Treatment Facility Advice Letter
- ☐ To report that your Proposed/Final Arsenic Treatment Facility Advice Letter
  - ☐ will not be acted upon and is being returned
  - ☐ has been rejectedfor the following reasons. (initial \_\_\_\_\_)

## Arizona Corporation Commission

Arsenic Advice Letter # \_\_\_\_\_

Date: \_\_/\_\_/\_\_

To: ☐ Director Of Utilities      Fax # 602-242-9999  
☐ ACC Staff Representative      Email:

From: Utility      Fax # 520-999-1111  
System  
Utility Representative      Email:

Subj: ATFAL # \_\_\_\_\_

☐ **Proposed**      ☐ **Final**      ☐ **Balancing Account**

Last General Rate Increase: Docket No. \_\_\_\_\_ Date: \_\_/\_\_/\_\_

This filing requests an incremental arsenic treatment facility rate increase (decrease) of \_\_\_\_\_, which is a \_\_\_\_\_ % increase (decrease) over revenues under the current rates. The following checked exhibits are attached in support of this request. Requests without Exhibits 1 - 7 will be rejected.

### Standard Workpaper Requirements

- ☐ Index Of Exhibits
- ☐ 1 Summary Calculation Of Requested Revenue Increase Or Decrease
- ☐ 2 Summary Calculation Of Adjusted Rate Base
- ☐ 3 Detail Of Arsenic Treatment Facilities By Plant Account
- ☐ 4 Summary Calculation Of Incremental Cost Of Service
- ☐ 5 Calculation Of Fixed And Variable Arsenic Treatment Facility Charges
- ☐ 6 Revised Tariff With ATFAL Charges
- ☐ 7 Financial Statements for the most recent 12- month period prior to the date of this filing

### Sufficiency Comments

- 1 Format & Content:
- 2 Tariff Sheets:
- 3 Notice:
- 4 Acknowledgement Form

the Standard Workpapers in the following order with each work paper sheet consecutively numbered:

- (1) Index Of Exhibits listing all the sheets by title and sheet number,
- (2) Summary Calculation Of Requested Incremental Revenue Increase or Decrease,
- (3) Summary Calculation Of Adjusted Rate Base,
- (4) Detail Of Arsenic Treatment Facilities By Plant Account,
- (5) Summary Calculation Of Incremental Cost Of Service,
- (6) Calculation Of Fixed And Variable Arsenic Treatment Facility Charges,
- (7) Revised Tariff Sheets with Arsenic Treatment Facility Charges.

c. Utilities may also submit electronically by sending the submittal to [utilities\\_division@cc.az.state.us](mailto:utilities_division@cc.az.state.us) or by facsimile to (602) 542-?????. If requested utilities shall follow up the electronic filing with the hard-copy filings described above.

8. The receiving Staff person stamps the date and time of receipt of each ATFAL submittal and reviews the filing package for sufficiency:

- a. Conformance with these procedures, including format and completeness of contents.
- b. Proper tariff sheet numbering.
- c. Adequate notice. The final ATFAL will not be accepted for filing until the notice has been published or the last bill insert notice has been mailed.
- d. One copy of the final ATFAL will be stamped with the date filed and faxed to the utility. A stamped copy will be mailed to the utility.

9. If the ATFAL materials are not sufficient for filing, the receiving Staff person informs the Chief, Accounting & Rates and requests changes/additions from the utility. After being accepted as sufficient for filing, the receiving Staff person does the following:

- a. Enters a record of the filing in the ATFAL docket filing system.
- b. Enters any required data in an ATFAL database (if such system is established).
- c. Posts a notice in the daily calendar that the ATFAL has been filed.
- d. Faxes and mails a copy of the ATFAL to the utility stamped with the date filed.

10. The receiving Staff person prepares the ATFAL for review by doing the following:

- a. Fills out the lower Sufficiency Comments Section of the ATFAL, noting the review comments as directed on the form.
- b. Routes the folder with Sufficiency Comments to the Chief, Accounting & Rates, who assigns the filing to an analyst and informs Docketing of the analyst assignment.
- c. Files the second folder in the "pending" file of active ATFALs alphabetically by company.

11. Every ATFAL must be reviewed by a Staff analyst. Such review includes comparison of the request with the Commission decision or order authorizing the ATFAL; the correctness of filed rates, sufficiency and correctness of work papers and attachments; conformance with Commission policy and procedures; and consideration of public responses. A Staff Report and Recommended Order will be prepared for each ATFAL reviewed.

- a. If the ATFAL does not have to be placed on the Open Meeting Agenda because the Commission has already made clear what the standards of review should be, the analyst forwards the Staff Report and Recommended Order to the Director Of Utilities through the Chief, Accounting and Rates for action.
- b. If the ATFAL requires Commissioner review, the analyst forwards the Staff Report and Recommended Order to the Director Of Utilities through the Chief, Accounting and Rates for placement on the Open Meeting Agenda.

12. If additional time is required to properly review an ATFAL because the ATFAL is incomplete, does not include sufficient information to determine the impact of the ATFAL on rates, or the complexity of the ATFAL (and supporting information) requires more time for analysis, the analyst may, with the approval of the Chief, Accounting and Rates fax a multipurpose Acknowledgement Form to the utility, prior to the 30 day deadline, explaining the need for delay and extending the time for processing from 30 days to up to 120 days, and to Docketing, which will notice the delay on the Commission's Daily Filing Calendar. The analyst must include: 1) the new due date and 2) the grounds for the extension.

13. If an arsenic ATFAL requires a decision by the Commissioners at an Open Meeting, it should occur within 150 days of filing, but if disposition due to unusual circumstances will take longer, the analyst must submit a Staff Report explaining the request to the Director of Utilities, who will either deny the request or place it on the agenda for the next Open Meeting.

#### **D - ORDERS**

14. Orders are required for all approved ATFALs. The Commissioners may establish standards of review and delegate the approval of certain types of ATFALs under specified conditions to the Director of Utilities.

15. The Staff analyst drafts the Order following the Commission's general procedures. The contents of the Order depends on the situation and what the ATFAL is requesting, but there are certain elements that all Orders must contain:

1. Title - a description of what the Order does. It starts with the Order number, the full name of the utility, and the abbreviation of the name, in parentheses, that will be used in the Order.
2. Summary - a one or two paragraph description of what the Order recommends. Finish with a description of the number or service connections and the location of the service area affected.
3. Background - the events that occurred in the past that led to the filing of the ATFAL and a description of what the ATFAL is requesting.

4. Discussion - a logical and complete evaluation of the merits of each part of the ATFAL and whether and why each part should be approved, modified or rejected. If a request is to be approved, describe what the utility needs to do.
  5. Notice - a description of how the ATFAL was noticed and whether any public comments were received and how they were handled.
  6. Findings and Conclusions - facts that pertain to the situation and results of the discussion for each issue.
  7. Ordering Paragraphs - actions that the utility is allowed to or is ordered to take, along with timeframes and deadlines. The final ordering paragraph is the effective date of the Order. Normally an Order will be effective the first of the month following approval.
16. The final Order should be mailed to the service list of the ATFAL and, if the Order modifies actions taken by another Order or decision, the service list of that proceeding or Order.

#### **E - ADVICE LETTER APPROVAL**

17. After the ATFAL is approved, the Tariff Unit does the following:
- a. Stamps all tariff sheets with the date filed and date effective, places the tariff sheets in the tariff book.
  - b. Puts the original copy of the ATFAL in the company's ATFAL file.
  - c. Prepares a transmittal letter and sends it to the utility, along with the Order and a complete copy of the ATFAL with all tariff sheets stamped with the filed date, effective date and Order number.
  - d. Retrieves the work file folder from the analyst (if necessary) and puts it in the work file filing cabinet alphabetically by company. Work files are kept until the next general rate case.

## **F - WITHDRAWAL, REJECTION, AND SUSPENSION OF ATFALs**

18. The utility may withdraw a filed ATFAL, by informing the Director of Utilities by letter, fax or e-mail prior to the effective date.
19. If the Staff analyst determines that an ATFAL should be rejected, a copy of the multipurpose Acknowledgement Form is prepared, the appropriate box is checked and the reason for rejection is explained. The Chief, Accounting & Rates will review the rejection explanation and if he agrees he is to initial the form and have it faxed to the utility with the explanation that the rejection can be appealed within ten days to the Director of the Utilities Division. If appealed, the effective date will be determined by the Director of the Utilities Division. If not appealed, the effective date will be the day after the last date for appeal.
20. The legal effect of withdrawal, rejection or suspension is to leave the existing tariff schedules in effect. If the ATFAL is withdrawn or rejected, the Tariff Unit stamps the face of the ATFAL and each tariff sheet "Withdrawn" or "Rejected" and the date, and returns a copy of the ATFAL to the utility with a letter explaining the reasons for the action.
21. The Tariff Unit retains the original copy of the withdrawn or rejected tariff sheets in the file of cancelled tariffs. The ATFAL number and tariff sheet numbers are not reused. Any revised tariff sheets, submitted by a subsequent ATFAL should show the cancellation of the then-effective tariff sheets, not the sheet number of the rejected or withdrawn sheet, since the latter never became effective and therefore cannot be cancelled.

**Arizona Corporation Commission**

**Arsenic Advice Letter # \_\_\_\_\_**

Date: \_\_/\_\_/\_\_

To: ☐ Director Of Utilities      Fax # 602-242-9999  
☐ ACC Staff Representative      Email:

From: Utility      Fax # 520-999-1111  
System  
Utility Representative      Email:

Subj: ATFAL # \_\_\_\_\_

☐ **Proposed**      ☐ **Final**      ☐ **Balancing Account**

Last General Rate Increase: Docket No. \_\_\_\_\_ Date: \_\_/\_\_/\_\_

This filing requests an incremental arsenic treatment facility rate increase (decrease) of \_\_\_\_\_, which is a \_\_\_\_\_ % increase (decrease) over revenues under the current rates. The following checked exhibits are attached in support of this request. Requests without Exhibits 1 - 7 will be rejected.

**Standard Workpaper Requirements**

- ☐ Index Of Exhibits
- ☐ 1 Summary Calculation Of Requested Revenue Increase Or Decrease
- ☐ 2 Summary Calculation Of Adjusted Rate Base
- ☐ 3 Detail Of Arsenic Treatment Facilities By Plant Account
- ☐ 4 Summary Calculation Of Incremental Cost Of Service
- ☐ 5 Calculation Of Fixed And Variable Arsenic Treatment Facility Charges
- ☐ 6 Revised Tariff With ATFAL Charges
- ☐ 7 Financial Statements for the most recent 12- month period prior to the date of this filing

**Sufficiency Comments**

- 1 Format & Content:
- 2 Tariff Sheets:
- 3 Notice:
- 4 Acknowledgement Form